

## Transmission Workstream Minutes

Thursday 05 July 2007

Elexon, 350 Euston Road, London NW1 3AW

### Attendees

John Bradley (Chairman)	JB	Joint Office
Lorna Dupont	LD	Joint Office
Alex Barnes	AB	BG Group
Amrik Bal	AB1	Shell
Andrew Beck	AB2	ENI UK
Alexandra Campbell	AC	E.ON UK
Andrew Fox	AF	National Grid NTS
Angela Love	AL	Poyry Energy Consulting
Andrew Pearce	AP	BP Gas
Alan Raper	AR	National Grid Distribution
Adam Sims	AS	National Grid NTS
Bali Dohel	BD	Scotia Gas Networks
Chris Logue	CL	National Grid NTS
Charles Ruffell	CR	RWE Npower
Christiane Sykes	CS	Statoil
Chris Wright	CW	BGT
Fergus Healy	FH	National Grid NTS
Fiona Riches	FR	Argus Media Group
Graeme Beveridge	GB	Scottish Power
Ian Taylor	IT	Northern Gas Networks
John Baldwin	JB1	CNG Services
Joy Chadwick	JC	ExxonMobil
Kirsten Elliott-Smith	KES	ConocoPhillips
Keith Stanton	KS	Sempra Energy
Leigh Bolton	LB	Cornwall Energy Associates
Liz Spierling	LS	Wales & West Utilities
Mark Crawford	MC	Scottish Power
Michel Martin	MM	Poyry Energy Consulting
Martin Watson	MW	National Grid NTS
Paul O'Donovan	PO	Ofgem
Paul Roberts	PR	Gaz de France
Robert Cameron-Higgs	RCH	Northern Gas Networks
Richard Fairholme	RF	EON UK
Richard Miller	RM	Ofgem
Roddy Monroe	RM1	Centrica Storage
Rekha Patel	RP	Waters Wye
Sofia Fernandez Avendano	SFA	Total
Stefan Leedham	SL	EDF Energy
Tim Davis	TD	Joint Office
<b>Apologies</b>		
Richard Robinson		TPA Solutions
Alison Jennings		National Grid Distribution

### 1. Introduction and Status Review

JB welcomed all attendees to the meeting, and advised that the media were also in attendance. There was no objection to media presence at this meeting.

## 1.1 Minutes from June Workstream Meetings

The minutes for the meetings held on 07 and 28 June 2007 were accepted, as were those of the Gas Quality Workshop held on 19 June.

## 1.2 Review of Outstanding Actions

Appendix A provides a tabular summary.

## 1.3 Review of Workstream's Modification Proposals and Topics

### 1.3.1 Modification Status Report (Modification Proposals Register<sup>1</sup>)

The following Modification had been **appealed** by E.ON UK:

- 0116V "Reform of NTS Exit Arrangements." – a decision is expected on 10 July 2007.

The following Proposals had been **approved** by Ofgem:

- 0134V "Publication of Nodal NTS Demand Forecast" – implemented on 25 June 2007.
- 0139 "Amendments to UNC TPD OCS Process and Long Term Allocation of Capacity in the Transitional Period" – implemented on 25 June 2007.

The following Proposals had been **rejected** by Ofgem:

- 0139A "Amendments to UNC TPD OCS Process and Long Term Allocation of Capacity in the Transitional Period".
- 0150 "Introduction of the AMTSEC Auction" and 0150A "Introduction of Unsold Entry Capacity Transfers".
- 0151/0151A "Transfer of Sold Capacity between ASEPs". The decision on 0151 is the subject of a Judicial Review.

Ofgem's decision was awaited on the following Proposals:

- 0104 "3<sup>rd</sup> Party Proposal: Storage Information at LNG Importation Facilities", awaiting decision following close out of Ofgem Impact Assessment consultation period.
- 0143 "Reduction of Lapse Periods in respect of Failure Notices issued in respect of Energy Balancing Credit". UNC Modification Panel recommended implementation.

The following Proposals had been issued for consultation:

- 0149/0149A "Gas Emergency Cash Out Arrangements: Keeping the On The Day Commodity Market open during a Gas Deficit Emergency". Consultation closed on 26 June 2007. Final Modification Reports had been produced. Recommendations will be made at the UNC Modification Panel on 19 July 2007.
- 0153 "Amendment of Interconnector UK's Network Entry Provisions" – shortened consultation period ends 06 July 2007.

The following new Proposals had been raised:

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<sup>1</sup> <http://www.gasgovernance.com/Code/Modifications/>

- 0154 “Enduring Provisions for LDZ System Entry Points” – raised by National Grid Distribution on 13 June 2007; allocated to Workstream for production of Workstream Report (at this meeting).

### 1.3.2 Topic Status Report

#### **003TR Review of Exit Capacity Arrangements**

Nothing to report.

#### **008TR Entry Capacity**

See 1.3.1 above.

#### **018TR Information Transparency.**

O104: Ofgem issued an Open Letter on 18 May 2007. Responses were due by 01 June 2007. The UNC Modification Panel reviewed the progress of 0104 on 21 June 2007, and agreed to await Ofgem’s decision.

0140: “Review of Information Provision on National Grids Information Exchange.” Minutes from the meeting which took place on 19 June 2007 were available on the Joint Office website. The next two meetings were scheduled for 09 and 27 July 2007 at Elexon Offices, 350 Euston Road, London NW1 3AW.

#### **019TR Emergency Market Arrangements**

See 1.3.1 above.

#### **014TR Operating Margins Procurement**

Status: Remained On Hold.

#### **015TR Constraint Management**

Status: Remained On Hold.

#### **016TR Storage Commodity Charge**

Status: Remained On Hold.

CR commented that following the closure of a small focus group which discussed Safety Monitors, it was understood that Mike Young (BGT Centrica) was going to produce an outline proposal. MY was not present at the meeting but CW agreed to follow this up.

**Action TR1071: Safety Monitors - production of outline proposal, subsequent to closure of the focus group: CW to follow up with MY.**

#### **020TR Gas Quality**

A second Workshop took place on 18 June 2007. It was agreed that a further Workshop will be arranged later in the year (September/October) following consideration of the responses to the consultation and the subsequent publication of Ofgem’s Initial Proposals document. All associated papers are available on the Joint Office website, under Transmission Workstream meetings.  
Status: On Hold.

## 2. Topics

### 2.1 Draft Modification Proposal: Transfer and Trade

MW (National Grid NTS) gave the second half of a presentation, recapping on the previous meeting (28 June 2007) and continuing to explain the ‘Out of Zone’ Process. MW responded to various comments.

1. If parties do not register the ASEP then it will not be in the auction.

2. Baseline takes a realistic view of what can be flowing in that area, and is likely to be lower than Nodal Maximum Capacity.
3. Merit order was based on looking at the risk of delivering 1:1 exchange rates, the physical capacity/flow rates which is the most favourable, etc, predominantly based on the latest TBE data.

MW agreed with AP's point that a party could be bidding for capacity that it already owned if it had surrendered capacity in a zone where there was only one ASEP. MW emphasised that this was a price driven process and there was a competitive element to where capacity was moved. National Grid NTS was trying to make Transfer and Trade work together and the 'surrender' mechanism would make capacity, not required by Users, available for auction.

MW agreed that 'non-recipients' could be 'donors' but commented that an alternative term to donor was being utilised that was more reflective of its concept.

It was recognised that there had been a compression of the timescales available in which to prepare bid strategies.

RM questioned what transparency existed around the zonal capability and the numbers arrived at. Was there some assurance to be offered that the numbers would be set at an appropriate level? MW responded that the revised Methodology Statement would reflect a level of granularity that would help to provide this assurance. The fundamentals had not changed from the original Statement which had been consulted on; the revisions were more about making sure that it could still deliver what was required for the new modification proposal. The principles would still fit with the Licence Obligations.

CS asked whether there had been any indications that xoserve could make the UK Link changes in time. MW advised that xoserve was trying to use the existing functionality, together with some work offline that would then feed back into the process. Timing was extremely tight.

MW stated there was no possibility of National Grid NTS reducing risk in zones as the obligation levels would not change.

Various questions were then raised relating to TO over recovery and MW advised that this topic was to be discussed at the TCMF that followed on from this Transmission Workstream meeting.

MW emphasised the point that the need for capacity at the recipient ASEP would drive the process.

RM1 had concerns relating to price exposure. In the interactions of interzone transfers would a party be blind when bidding? MW believed that all information on exchange rates would be available.

Further comments were made on transparency of information, and MW confirmed that merit order was the key signal on where capacity will be transferred from.

In summary, MW advised that it was hoped to issue a modification proposal (urgent) to the Joint Office on Friday (06 July). It was also hoped that the industry would support the majority of the principles, but MW was happy to discuss variants and would help to make them work. (He was concerned about the raising of modification proposals and subsequent implementations that cannot be made to work.)

RF stated that he broadly agreed with the proposal but had concerns regarding a single round auction (he would prefer at least 2), and price exposure. MW stated that National Grid NTS would continue to put in the Modification Proposal with one round, and expect to see variants raised and have subsequent discussions.

PR requested that worked examples of various scenarios be made available.

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**Action TR1072: Transfer and Trade Modification Proposal - National Grid NTS to consider making available worked examples of various scenarios.**

There were concerns relating to the likelihood of Buy Backs, and it was thought that it would be useful to have available historic examples of winter Buy Backs, and also TFAs (other than those issued for Gas Quality reasons) when all management tools had failed. More clarity was needed regarding the Buy Back process and the TFA process to gain an understanding of when the TFA was triggered, and the likelihood of having the TFA curtailed.

**Action TR1073: National Grid NTS to consider the provision of historical Buy Back/TFA information relating to the past 4 – 5 winters (excluding Gas Quality).**

MW advised that the revised Methodology Statement was unlikely to be available within the same timeframe as the Modification Proposal, but that its issue would be expedited as quickly as possible. The earliest approval date was likely to be 24 July 2007, subject to licence.

**2.2 Draft Modification Proposal: Proposed Interruptible Arrangements for this Winter**

FH (National Grid NTS) explained that revisions had been made to the previous draft Proposal following feedback from the last Transmission Workstream, and that the Proposal had been limited to the existing Daily Interruption process. FH went on to describe the current process and the new Proposal, which was intended to give National Grid NTS the flexibility to release a great deal more capacity.

This Proposal was to go before the July UNC Modification Panel, with a recommendation that it be passed straight to consultation.

CS noted that although this Proposal may resolve issues at other terminals, it would not help Easington.

MW commented that it would help with the reinstatement of supply and would allow the relief of interruption on a discretionary basis. The aim was to allow maximum gas to flow onto the network.

**2.3 Draft Modification Proposal: Amendments to NEA and NExA Measurement Provisions change process**

AS (National Grid NTS) gave a short presentation summarising the draft Modification Proposal. The text of the Proposal was to be provided within the next week, with a recommendation that it be passed direct to consultation. A short discussion followed.

CS observed that changing a User's contract without visibility did not seem to be a good principle to adopt, and that previous Modification Proposals did not seem to have caused any problems. CL responded that the Proposal was limited to measurement provision changes, but that if CS's concern was shared by others then perhaps restricting the modification to allow increases in the range of measurements should be considered.

CW agreed with the aim of speeding up the changes, but pointed out that affected parties need to know what was being changed. Making changes through the means of the UNC Modification process at least provided visibility and an opportunity for questions to be asked, and also gave a measure of comfort that best practice was being followed.

It was suggested that it could be reworded to accommodate the notification of "affected interested parties" prior to any change, to provide an opportunity to ask questions and make any representations/objections.

CL acknowledged that this could be considered and the Proposal would be reviewed in light of the comments made.

## **2.4 Updates on Consultations**

MW (National Grid NTS) updated the meeting on the status of the Capacity Methodology Statements. The key concerns had been noted and were being reflected upon before a submission was made to Ofgem.

MW advised that National Grid NTS intended to run workshops on Entry Capacity ahead of the QSEC auctions to aid industry understanding. It was probable that the first would be held late July, the frequency was likely to be fortnightly, and the venue may alternate between Warwick and London. The workshops would be organised by Network Operations and papers would be made available on the Joint Office website.

## **2.5 Safety Monitors: New communication process**

CL (National Grid NTS) gave a short presentation on the aims and explained that it was proposed to undertake a monthly review, to be published on the website, and the actions taken were to be discussed at the Operational Forum. Communications would be sent out via the Joint Office to notify updates to the website.

The proposed monthly review was intended to promote better communication between parties; increased transparency should generate challenges to information and result in better quality and more accurate information becoming available to make improvements to the Safety Monitors.

Safety Monitors were not expected to be an issue this winter, but greater volumes of imported gas would magnify any issues.

## **3. Modification Proposals**

### **3.1 Modification Proposal 0154: "Enduring Provisions for LDZ System Entry Points"**

AR (National Grid Distribution) gave a short presentation. In response to a question from CR, AR affirmed that there was no plan to take out existing LDZ points. 'New' points would be referred to as "excluded Entry Points", leaving the door open for "included".

CL queried that if there were no capacity charges for these connected points then no investment signals would be apparent. AR believed that the investment signals came from the dialogue with the connecting party, charged back through the Connection Agreement.

The draft Workstream Report was discussed and reviewed. It was agreed that subject to the provision of Suggested Legal Text by AR it was now sufficiently developed to proceed to consultation.

## **4. Any Other Business**

None.

## **5. Diary Planning**

The next Transmission Workstream meeting has been arranged for 10:00hrs on Thursday 02 August 2007 at Elexon, 350 Euston Road, London NW1 3AW.

## Appendix A: Action Log – UNC Transmission 05 July 2007

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 1067	07/06/07	2.1	Provide timeline demonstrating the interactions between various auctions.	National Grid NTS (Martin Watson)	This would be provided after the 0116 Appeal decision was known. <b>Carried forward</b>
TR 1068	07/06/07	2.2	Return to the Workstream to present a detailed overview of the interaction of the capacity regimes and the operation of the gas market.	Ofgem (Paul O' Donovan)	To take place after resolution of the Judicial Review. <b>Carried Forward</b>
TR 1069	07/06/07	2.3	Develop Interruptible Arrangements Option A into a draft Modification Proposal for discussion at the next Workstream.	National Grid NTS (Fergus Healy)	Covered under the agenda. <b>Closed</b>
TR 1070	07/06/07	2.3	Look at existing and potential incentives on National Grid NTS to promote gas flows and report findings to subsequent Workstream	Ofgem (Paul O' Donovan)	Open Letter published 19 Jun 07 – National Grid to provide physical capacity where appropriate. Any obstacles to that duty would be considered under the Modification Process. <b>Closed</b>
TR 1071	05/07/07	1.2	Safety Monitors - production of outline proposal, subsequent to closure of the focus group: CW to follow up with MY.	BGT (Chris Wright)	
TR 1072	05/07/07	2.1	Transfer and Trade Modification Proposal - National Grid NTS to consider making available worked examples of various scenarios.	National Grid NTS (Martin Watson)	13 July 2007
TR 1073	05/07/07	2.1	National Grid NTS to consider the provision of historical Buy Back/TFA information relating to the past 4 – 5 winters (excluding Gas Quality).	National Grid NTS (Martin Watson)	